

Sixty-fourth  
Legislative Assembly  
of North Dakota

**HOUSE BILL NO. 1234**

Introduced by

Representatives Weisz, Porter

1 A BILL for an Act to amend and reenact subsection 3 of section 50-24.4-06, subsection 6 of  
2 section 50-24.4-07, and section 50-24.4-15 of the North Dakota Century Code, relating to  
3 nursing home rate determination; and to provide an effective date.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. AMENDMENT.** Subsection 3 of section 50-24.4-06 of the North Dakota  
6 Century Code is amended and reenacted as follows:

7 3. For purposes of determining rates, the department shall:

- 8 a. Include, contingent upon approval of the medicaid state plan by the centers for  
9 medicare and medicaid services, allowable bad debt expenses in an amount not  
10 to exceed one hundred eighty days of resident care per year or an aggregate of  
11 three hundred sixty days of resident care for any one individual; and  
12 b. ~~Include allowable bad debt expenses in the property cost category in the report-~~  
13 ~~year in which the bad debt is determined to be uncollectible with no likelihood of~~  
14 ~~future recovery.~~  
15 e. Notwithstanding section 50-24.4-07, include as an allowable cost any tax paid by  
16 a basic care or nursing facility due to provisions of the federal Patient Protection  
17 and Affordable Care Act [Pub. L. 111-148], as amended by the Health Care and  
18 Education Reconciliation Act of 2010 [Pub. L. 111-152].

19 **SECTION 2. AMENDMENT.** Subsection 6 of section 50-24.4-07 of the North Dakota  
20 Century Code is amended and reenacted as follows:

- 21 6. The facility shall report the education expense separately on the facility's cost report.  
22 The expense is ~~allowed as a passthrough and~~ is limited only by the fifteen thousand  
23 dollar maximum per individual.

1       **SECTION 3. AMENDMENT.** Section 50-24.4-15 of the North Dakota Century Code is  
2 amended and reenacted as follows:

3       **50-24.4-15. ~~Property-related~~Property costs.**

4       4. The department shall include in the ratesetting system for nursing homes a payment  
5 mechanism for the use of real and personal property which provides for depreciation and  
6 related interest~~property~~ costs. The property cost payment mechanism must:

7           a. ~~Recognize the valuation basis of assets acquired in a bona fide transaction as an~~  
8           ongoing operation after July 1, 1985, limited to the lowest of:

9           (1) ~~Purchase price paid by the purchaser;~~

10          (2) ~~Fair market value at the time of sale; or~~

11          (3) ~~Seller's cost basis, increased by one-half of the increase in the consumer~~  
12              ~~price index for all urban consumers (United States city average) from the~~  
13              ~~date of acquisition by the seller to the date of acquisition by the buyer, less~~  
14              ~~accumulated depreciation.~~

15          b. ~~Recognize depreciation on land improvements, buildings, and fixed equipment~~  
16              ~~acquired, as an ongoing operation over the estimated useful remaining life of the~~  
17              ~~asset as determined by a qualified appraiser.~~

18          c. ~~Recognize depreciation on movable equipment acquired as an ongoing operation~~  
19              ~~after August 1, 1995, over a composite remaining useful life.~~

20          d. ~~Provide for an interest expense limitation determined by the department and~~  
21              ~~established by rule.~~

22          e. ~~Establish a per bed property cost limitation considering single and double~~  
23              ~~occupancy construction.~~

24          f. ~~Recognize increased lease costs of a nursing home operator to the extent the~~  
25              ~~lessor has incurred increased costs related to the ownership of the facility, the~~  
26              ~~increased costs are charged to the lessee, and the increased costs would be~~  
27              ~~allowable had they been incurred directly by the lessee.~~

28          g. ~~Recognize any mandated costs, fees, or other moneys paid to the attorney~~  
29              ~~general through transactions under sections 10-33-144 through 10-33-149.~~

30       2. ~~For rate years beginning after December 31, 2003, the limitations of paragraph 3 of~~  
31       ~~subdivision a of subsection 1 do not apply to the valuation basis of assets purchased~~

1           ~~between July 1, 1985, and July 1, 2000. The provisions of this subsection may not be~~  
2           ~~applied retroactively to any rate year before July 1, 2005.~~

3           3. ~~For rate years beginning after December 31, 2007, the limitations of subdivision e of~~  
4           ~~subsection 1 do not apply to the valuation basis of assets acquired as a result of a~~  
5           ~~natural disaster before December 31, 2006. The provisions of this subsection may not~~  
6           ~~be applied retroactively to any rate year before January 1, 2008~~department shall allow  
7           a maximum daily payment of property costs in an amount not to exceed the average  
8           daily property cost rate on January 1, 2015, of all nursing homes in the state. The  
9           department shall adjust the maximum daily payment each January by the amount of  
10           the inflationary increase authorized by the legislative assembly in the department's  
11           biennial appropriation. For purposes of this section, "property costs" means those  
12           costs identified by the department in the cost category for allowable real property  
13           costs.

14           **SECTION 4. EFFECTIVE DATE.** This Act is effective for rate years beginning after  
15           December 31, 2016.